

73-7512

Saginaw County 911

Communications Center Authority

Saginaw, Michigan

Financial Statements

For the Year Ending September 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Saginaw Co. 911 Communications Authority	County Saginaw
Audit Date 9/30/04	Opinion Date 10/28/04	Date Accountant Report Submitted to State: 11-22-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

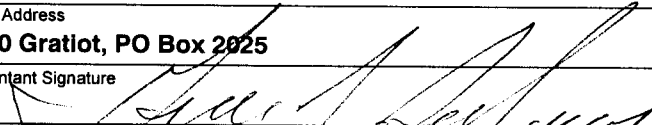
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Gerald J. Desloover, CPA Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

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REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 28, 2004

To the Board of Directors
Saginaw County 911
Communications Center Authority
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Saginaw County 911 Communications Center Authority***, as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Saginaw County 911 Communications Center Authority***, as of September 30, 2004, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

As described in Note IV, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2004, on our consideration of *Saginaw County 911 Communications Center Authority's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rehmann Johnson

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents management's discussion and analysis of Saginaw County 911 Communications Center Authority's (hereon referred to as "the Authority") performance during the fiscal year ending September 30, 2004. Please read this along with the financial statements of the Authority. Normally, a comparison of current year to prior year financial information is provided. However, since this is the first year of presentation, prior year information is not available. In future years, a comparative analysis of government-wide data will be presented.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the September 30, 2004, fiscal year by \$3,125,549 (net assets). Of this amount, \$2,077,870 (unrestricted net assets) may be used to meet the government's ongoing obligations for Authority programs.
- The General Fund received \$3,296,242 in revenues and had \$3,873,235 in expenditures. The General Fund's fund balance declined to \$1,712,077 from \$2,289,070.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,624,760 or 42% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding of the Authority's basic statements. These statements comprise three components: (1) governmental-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government –Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the differences between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Saginaw County 911 Communications Center Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into two categories: governmental funds and fiduciary funds. The Authority maintains one governmental fund and one fiduciary fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Saginaw County 911 Communications Center Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-27 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$3,125,549 at the end of the September 30, 2004 fiscal year.

Summary of Net Assets

Assets

Current Assets	\$2,532,081
Capital Assets, net	<u>1,047,679</u>
Total assets	\$3,579,760

Liabilities

Current Liabilities	\$ 376,344
Long-term Liabilities	<u>77,867</u>
Total Liabilities	\$ 454,211

Net Assets

Invested in capital assets, net of related debt	\$1,047,679
Unrestricted	<u>2,077,870</u>
Total Net Assets	<u>\$ 3,125,549</u>

The net assets is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$1,047,679 or 34% of net assets and unrestricted net assets of \$2,077,870 or 66% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Authority's net assets decreased by \$965,826 during the current fiscal year. Most of this decrease largely reflects the degree to which ongoing expenses exceeded ongoing revenues.

Statement of Activities

Revenue

Program Revenues	
Charges for services	\$3,272,238
General Revenues:	
Interest	\$16,802
Other	<u>\$ 7,202</u>
Total revenue	\$3,296,242

Expenses

Public safety	\$4,058,299
Capital outlay	<u>\$ 203,769</u>
Total Expenses	<u>\$4,262,068</u>

Increase (decrease) in Net Assets	\$ (965,826)
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The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements.

Summary of Fund Financial Statements

Governmental fund. As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$1,712,077, a decrease of \$576,993 from the prior year. 95% or \$1,624,760 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

The decrease in the fund balance of \$576,993 indicates that expenditures were in excess of revenues for the year. The decrease is primarily related to a decrease in surcharge revenue.

Fiduciary fund. The Authority maintains one fiduciary fund in the form of a trust fund. The Post Employment Health Benefits Trust Fund was established to accumulate funds for the future payments of postretirement health benefits.

As of the end of the current fiscal year, the Authority's trust fund reported a net assets balance of \$791,684, an increase of \$197,500 from the prior year. The trust fund net asset ending balance is wholly made up of cash and investments. The increase is due to contributions, interest, and appreciation in fair value in excess of expenses.

Budgetary Highlights

The Authority annually prepares formal budgets with amendments made when necessary. Each of the amendments are approved by the Board. Approximately 95% of the Authority's revenue comes from telephone surcharges. The surcharge budget is based on an amount charged per telephone land line.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$3,296,242 in revenues and had \$3,873,235 in expenditures. The General Fund's fund balance declined to \$1,712,077 from \$2,289,070.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,624,760 or 42% of total General Fund expenditures. \$1,125,000 of this money is designated for future expenditures.

The actual General Fund expenditures were within 92% of the final budget amounts. The decrease in the actual General Fund revenues from the final budgeted amounts is due to no increase in surcharge amount.

Capital Assets

As of September 30, 2004, the Authority had \$1,047,679 in capital assets consisting of various pieces of equipment.

Capital Assets (net of depreciation) September 30, 2004

Equipment	\$7,071,094
Less accumulated depreciation	\$6,023,415
Net Capital Assets	\$1,047,679

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Authority's budget for the 2004-05 fiscal year:

- An increase in surcharge revenue charged per phone line was approved.
- An increase in wages/health insurance is expected.
- The Authority will be renegotiating extension of the building lease.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances, and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Executive Director, Saginaw County 911 Communications Center Authority, 618 Cass St, Saginaw, MI 48602.

BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND

SEPTEMBER 30, 2004

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 617,276	\$ -	\$ 617,276
Investments	1,126,236	-	1,126,236
Accounts receivable	5,773	-	5,773
Due from other governmental units	251,819	-	251,819
Prepaid expenditures/expenses	57,858	-	57,858
Prepaid health benefits	29,459	-	29,459
Net pension asset	-	443,660	443,660
Capital assets, net of accumulated depreciation	-	1,047,679	1,047,679
TOTAL ASSETS	\$ 2,088,421	1,491,339	3,579,760
LIABILITIES			
Accounts payable	\$ 324,034	\$ -	\$ 324,034
Accrued payroll and related liabilities	43,525	-	43,525
Deferred revenue	8,785	-	8,785
Accrued compensated absences	-	77,867	77,867
TOTAL LIABILITIES	376,344	77,867	454,211
FUND BALANCES/NET ASSETS			
Fund balance:			
Reserved:			
Prepaid expenditures	87,317	(87,317)	-
Unreserved:			
Designated for:			
Equipment replacement	1,000,000	(1,000,000)	-
Health insurance claims	125,000	(125,000)	-
Undesignated	499,760	(499,760)	-
TOTAL FUND BALANCE	1,712,077	(1,712,077)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,088,421		
Net assets:			
Invested in capital assets		1,047,679	1,047,679
Unrestricted		2,077,870	2,077,870
TOTAL NET ASSETS		\$ 3,125,549	\$ 3,125,549

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Public safety	\$ 3,219,031	\$ 839,268	\$ 4,058,299
Capital outlay	654,204	(450,435)	203,769
TOTAL EXPENDITURES/EXPENSES	<u>3,873,235</u>	<u>388,833</u>	<u>4,262,068</u>
PROGRAM REVENUES			
Charges for services	<u>3,272,238</u>	-	<u>3,272,238</u>
NET PROGRAM (EXPENSE) REVENUE			<u>(989,830)</u>
GENERAL REVENUES			
Interest	16,802	-	16,802
Other	<u>7,202</u>	-	<u>7,202</u>
TOTAL GENERAL REVENUES	<u>24,004</u>	-	<u>24,004</u>
CHANGE IN FUND BALANCE	(576,993)	576,993	-
CHANGE IN NET ASSETS	-	(965,826)	(965,826)
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>2,289,070</u>	<u>1,802,305</u>	<u>4,091,375</u>
FUND BALANCE/NET ASSETS, END OF YEAR	<u><u>\$ 1,712,077</u></u>	<u><u>\$ 1,413,472</u></u>	<u><u>\$ 3,125,549</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR 2003)**

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Year Ended September 30, 2003
REVENUES					
Telephone surcharge	\$ 3,750,000	\$ 3,750,000	\$ 3,134,364	\$ (615,636)	\$ 3,750,000
Radio service charge	100,000	100,000	73,076	(26,924)	92,106
Reimbursements	-	-	64,798	64,798	36,502
Interest	35,000	35,000	16,802	(18,198)	24,983
Other	500	500	7,202	6,702	6,296
TOTAL REVENUES	3,885,500	3,885,500	3,296,242	(589,258)	3,909,887
EXPENDITURES					
Employee wages and salaries					
Salaries	1,786,283	1,786,283	1,703,554	(82,729)	1,613,014
Temporary service contract	74,340	74,340	37,472	(36,868)	44,881
Total employee wages and salaries	1,860,623	1,860,623	1,741,026	(119,597)	1,657,895
Fringe benefits	1,097,086	1,097,086	882,331	(214,755)	908,811
Other operating expenditures					
Office supplies	7,700	7,700	9,721	2,021	3,981
Uniforms and accessories	5,000	5,000	4,615	(385)	4,750
Membership dues	2,000	2,000	1,825	(175)	1,225
Pre-employment physicals	2,000	2,000	1,886	(114)	1,565
Travel & training	18,000	18,000	18,170	170	14,760
Printing	6,000	6,000	1,048	(4,952)	2,762
Liability insurance	45,000	45,000	52,797	7,797	49,945
Telephone	40,000	40,000	30,942	(9,058)	36,876
Utilities	21,500	21,500	20,432	(1,068)	18,721
Repairs & maintenance - building	9,000	9,000	4,915	(4,085)	6,509
Repairs & maintenance - communication equipment	500,500	500,500	343,392	(157,108)	379,879
Janitorial services	5,000	5,000	4,555	(445)	4,395
Legal and accounting	16,950	16,950	9,964	(6,986)	10,086
Other contracted services	67,000	67,000	18,262	(48,738)	35,089
Building lease	73,150	73,150	73,150	-	70,203
Capital outlay	445,491	445,491	654,204	208,713	299,758
Total other operating expenditures	1,264,291	1,264,291	1,249,878	(14,413)	940,504
TOTAL EXPENDITURES	4,222,000	4,222,000	3,873,235	(348,765)	3,507,210
CHANGE IN FUND BALANCE	(336,500)	(336,500)	(576,993)	(240,493)	402,677
FUND BALANCE, BEGINNING OF YEAR	2,289,070	2,289,070	2,289,070	-	1,886,393
FUND BALANCE, END OF YEAR	\$ 1,952,570	\$ 1,952,570	\$ 1,712,077	\$ (240,493)	\$ 2,289,070

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

SEPTEMBER 30, 2004

	Post Employment Health Benefits Trust Fund
ASSETS	
Cash and cash equivalents	\$ 1,645
Investments	<u>790,039</u>
Total assets	<u>791,684</u>
NET ASSETS	
Held in trust for postemployment health benefits	<u><u>\$ 791,684</u></u>

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Post Employment Health Benefits Trust Fund
ADDITIONS	
Employer contributions	<u>\$ 144,000</u>
Net change in fair value of investments	45,118
Interest income	<u>13,764</u>
Net investment earnings	<u>58,882</u>
Total additions	202,882
DEDUCTIONS	
Investment management fees	<u>(5,382)</u>
CHANGE IN NET ASSETS	197,500
NET ASSETS, BEGINNING OF YEAR	<u>594,184</u>
NET ASSETS, END OF YEAR	<u><u>\$ 791,684</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *Saginaw County 911 Communications Center Authority*, "Authority", was formed under Public Act 7 of 1967 (Urban Cooperation Act), and is considered a local governmental unit. The Authority provides public safety related services including the dispatch of emergency police, fire and medical services within Saginaw County.

The accounting policies of the *Saginaw County 911 Communications Center Authority* conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

A. THE REPORTING ENTITY

The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The general fund is the Authority's only major fund and is reported as a separate column in the financial statements.

SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Reimbursement and interest revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from telephone surcharges.

Additionally, the Authority reports the following fund type:

Post Employment Health Benefits Trust Fund – This fund is used to account for assets held to fund health care benefits for retirees of the Authority. Revenues of this fund are received from contributions from the General Fund. Expenses related to retiree health benefits are currently not being recorded in this fund; rather, these costs are being paid with current expendable resources of the General Fund. The Authority's management intends to continue to record these expenses in the General Fund, until a significant net assets balance is accumulated in the Post Employment Health Benefits Trust Fund.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

2. INVESTMENTS

Michigan law authorizes the Authority to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Investments are carried at fair value.

3. RECEIVABLES

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

4. CAPITAL ASSETS

Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when purchased. Capital assets of the Authority are depreciated using the straight line method over estimated useful lives of 3-10 years, depending on the type of equipment.

5. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

6. COMPENSATED ABSENCES

The Authority allows employees to accumulate unused paid-time-off (PTO), up to a maximum of 600 hours. Unused PTO, in excess of 600 hours is paid to employees on an annual basis. At the time of termination of their employment, employees are eligible to receive payment for their unused PTO, at their current hourly rate as of the date of termination.

The long-term portion of unpaid PTO pay that is applicable to governmental activities is reported in the Statement of Net Assets. Current portions of this liability are not material to the financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted at the following classification levels: employee wages and salaries, fringe benefits, and other operating expenditures.

Adoption and amendments of budgets used by the Authority are governed by Public Act 621. Any amendment of the original budget must meet the requirements of Public Act 621. Encumbrance accounting is not utilized by the Authority.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statement to the Authority's deposits and investments is as follows:

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 617,276
Investments	1,126,236
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	1,645
Investments	<u>790,039</u>
Total	<u>\$ 2,535,196</u>
Notes to Financial Statements:	
Deposits	\$ 618,921
Investments	<u>1,916,275</u>
Total	<u>\$ 2,535,196</u>

Deposits - At September 30, 2004, the carrying amount of the Authority's deposits was \$618,921 and the bank balance was \$663,704. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and \$463,704 was neither insured nor collateralized.

Investments - The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

At September 30, 2004, the Authority held mutual funds to fund post employment health benefits. These mutual funds are uncategorized as to risk and had a fair value of \$790,039. The Authority also held mutual funds in the General Fund which are uncategorized as to risk and had a fair value of \$1,126,236.

The Authority's deposits and investments are in accordance with statutory authority.

SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$7,612,725	\$450,435	\$(992,066)	\$7,071,094
Less accumulated depreciation				
Equipment	<u>(6,239,158)</u>	<u>(776,323)</u>	<u>992,066</u>	<u>(6,023,415)</u>
Total capital assets being depreciated, net	<u>\$1,373,567</u>	<u>\$(325,888)</u>	<u>\$ -</u>	<u>\$1,047,679</u>

C. LONG-TERM DEBT

Changes in Long-Term Debt

Long-term liability activity for the year ended September 30, 2004 was as follows:

Ending	Beginning Balance	Additions	Deductions	Ending Balance	Due within One Year
Compensated absences	\$ 75,481	\$ 2,386	\$ -	\$ 77,867	\$ -

D. OPERATING LEASE

The Authority entered into an agreement with the Saginaw County Building Authority, to lease the 911 Communications Center. The agreement commenced on July 12, 1996, whereby rent is charged at a rate equal to the debt payments, as required by the general obligation bond issue. The original agreement was for a period of 5 years, terminating on December 31, 2001. The agreement has been renewed and will end in 2006. This arrangement is being reviewed by the two parties in order to determine if, at the end of the current lease period, the Authority will continue to pay rental expense until the Building Authority bonds are paid off in 2009. Ownership of the 911 Communications

**SAGINAW COUNTY 911
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NOTES TO FINANCIAL STATEMENTS

Center after the bonds are paid off is also being reviewed, with a possibility of the Authority only being required to pay \$1.00 per year over a five year extension period.

Rent expense for the 911 Communications Center was \$73,150 for the year ending September 30, 2004.

The Authority's future minimum rental commitments for the 911 Communications Center at September 30, 2004 are as follows:

Year Ended <u>September 30</u>	<u>Amount</u>
2005	\$ 70,950
2006	<u>73,725</u>
	<u>\$144,675</u>

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

Funding Policy

The Authority is required to contribute at an actuarially determined rate. Employees are currently not required to contribute to the Plan. The contribution requirements of the Authority are established, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

Annual Pension Cost and Net Pension Asset

The Authority's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ 197,956
Less: Interest on net pension asset	(40,337)
Plus: Adjustment to annual required contribution	<u>100,896</u>
Annual pension cost	258,515
Contributions made	<u>197,956</u>
Decrease in net pension asset	60,559
Net pension (asset), beginning of year	<u>(504,219)</u>
Net pension (asset), end of year	<u><u>\$ (443,660)</u></u>

For the year ending September 30, 2004, the Authority's annual pension cost of \$258,515 for MERS was more than the Authority's required contribution and less than the actual contribution made. Actual contributions to MERS for the year ending September 30, 2004 amounted to \$197,956. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 28 years.

SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Trend Information

Fiscal Year/Period Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/02	\$234,887	136%	\$(403,610)
9/30/03	\$237,512	139%	\$(504,219)
9/30/04	\$258,515	77%	\$(443,660)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$4,031,911	\$ 4,529,074	\$ 497,163	89%	\$ 1,156,984	43%
12/31/02	\$4,491,306	\$ 5,106,756	\$ 615,450	88%	\$ 1,188,410	52%
12/31/03	\$5,190,782	\$ 5,869,637	\$ 678,855	88%	\$ 1,215,658	56%

B. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Authority's Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the Authority and administered by an outside third-party administrator. All Authority employees hired after January 1, 1999, are required to participate in the Plan. All other Authority employees that are not vested in the Authority's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

Employees vest in the Authority's contributions in accordance with the following scale:

<u>Years of Service Completed</u>	<u>Percent Vested</u>
1	0%
2	0%
3	25%
4	50%
5	75%
6	100%

At September 30, 2004, there were 12 plan members. Plan members are not required to contribute to the Plan, however, employees may contribute up to 3% of their annual salary. The Authority is required to contribute 6% of the employees' annual salary, as well as match all employee contributions. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors.

Employer contributions to the Plan for the year ended September 30, 2004 amounted to \$45,306 and employee contributions were \$13,576.

A stand-alone pension plan report has not been issued for the defined contribution plan.

C. POSTEMPLOYMENT HEALTH BENEFITS

The Authority provides a postretirement group hospitalization plan provided proper application is made prior to retirement for union and nonunion employees. This Plan was established through employees' union contracts and through a board resolution for nonunion employees.

Currently 6 retirees receive postemployment health benefits. Benefits are paid on a pay-as-you-go basis and the expenditure for the year ended September 30, 2004 was \$20,660.

The Authority had an actuarial valuation performed as of March 31, 2004, which showed the Authority's unfunded accrued liability for post-retirement health benefits to be between \$2,719,896 and \$4,133,074.

**SAGINAW COUNTY 911
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NOTES TO FINANCIAL STATEMENTS

The fair value of the cash and investments held to fund retiree health care costs as of September 30, 2004 was \$791,684. The cash and investments held to fund retiree health care costs are invested with an investment manager and are accounted for within the Post Employment Health Benefits Trust Fund.

D. RISK MANAGEMENT

The Authority is self insured for comprehensive liability, motor vehicle physical damage and property and crime coverage through the Michigan Municipal Risk Management Authority State Member Pool Fund (MMRMA).

All claims of the Authority, after meeting certain minimal deductible requirements, are paid from the State Member Pool Fund of MMRMA. MMRMA is responsible for any claims in excess of deductible amounts up to a maximum limit of \$5,000,000. As a participant in the State Pool Fund, the Authority participates with various other municipalities in the sharing of risk. Annual premiums of the Fund are based upon the claims history of the participant and the Fund's operating results. The costs of eligible claims incurred by the members of the Pool are charged against the Pool up to certain maximum coverage limits as contractually set forth. The Authority's policy is to recognize the annual premium cost as an expenditure of the General Fund. Settlements did not exceed insurance coverage for each of the past three fiscal years. The expenditure for the year ending September 30, 2004 was \$47,262.

The Authority also purchases insurance coverage from Saginaw County for various other types of coverage not included in the Authority's MMRMA insurance policy.

E. ECONOMIC DEPENDENCY

A significant portion of the Authority's revenues is derived from telephone surcharges. The Authority is economically dependent upon this funding source.

F. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended September 30, 2004, the Authority implemented the following Governmental Accounting Standards Board pronouncements:

SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Authority was required to implement the new requirements no later than the current fiscal year ending September 30, 2004.

The more significant of the changes required by the new standards include:

- ◆ Management’s discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

As a result of implementing these pronouncements for the fiscal year ended September 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balance of general fund as of 9/30/03	\$ 2,289,070
Add: governmental capital assets, including general fixed assets, as of 9/30/03	7,612,725
Add: Net pension asset, as of 9/30/03	504,219
Deduct: accumulated depreciation as of 9/30/03 on above governmental fixed assets	(6,239,158)
Deduct: accumulated compensated absences liability as of 9/30/03	<u>(75,481)</u>
Governmental net assets, restated, as of 9/30/03	<u>\$ 4,091,375</u>

G. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Authority becomes a party to various claims and lawsuits. In the opinion of the legal council and Authority management, the ultimate resolution of such matters will not have a material effect on the financial position of the Authority. There were no pending claims or lawsuits during the year ended September 30, 2004.

**SAGINAW COUNTY 911
COMMUNICATIONS CENTER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

H. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 1,712,077
Adjustments:	
Capital assets	7,071,094
Accumulated depreciation	(6,023,415)
Net pension asset	443,660
Accrued compensated absences	<u>(77,867)</u>
Net assets of governmental activities	<u>\$ 3,125,549</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles fund balance to net assets:

Change in fund balance	\$ (576,993)
Adjustments:	
Capital outlay expense	450,435
Depreciation expense	(776,323)
Decrease in net pension asset	(60,559)
Increase in compensated absences	<u>(2,386)</u>
Change in net assets	<u>\$ (965,826)</u>

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INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 28, 2004

To the Board of Directors
Saginaw County 911
Communications Center Authority
Saginaw, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the ***Saginaw County 911 Communications Center Authority***, as of and for the year ending September 30, 2004, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the ***Saginaw County 911 Communications Center Authority*** are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Saginaw County 911 Communications Center Authority's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and the use of management, others within the organization, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Lohman